

**THE STATE OF SOUTH CAROLINA
IN THE COURT OF APPEALS**

Appeal from Charleston County
Court of Common Pleas

The Honorable Jennifer B. McCoy, Circuit Court Judge

Appellate Case No. 2019-001413
Circuit Court Case No. 2018-CP-10-01251

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SC Court of Appeals

Richard Ladson, Jr.,
by and through Richard Miles Ladson, Sr., POA,

Respondent,

v.

THI of South Carolina at Charleston, LLC
d/b/a Riverside Health and Rehab,

Appellant.

INITIAL BRIEF OF RESPONDENT

PIERCE | SLOAN, LLC
Carl E. Pierce, II (SC Bar No. 7946)
Benjamin C. Smoot, II (SC Bar No. 101372)
Carl E. Pierce, III (S.C. Bar No. 104229)
P.O. Box 22437
Charleston, South Carolina 29413
Phone: (843)722-7733; Fax: (843)722-7732

*Attorneys for Respondent Richard Ladson,
Jr., by and through Richard Miles Ladson,
Sr., POA*

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Phone: (843)722-7733; Fax: (843)722-7732

*Attorneys for Respondent Richard Ladson,
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Sr., POA*

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STATEMENT OF THE ISSUE ON APPEAL

- I. Did the circuit court properly deny the Facility's¹ motion to compel arbitration of Plaintiff's² claim under South Carolina law?

STATEMENT OF THE CASE

Plaintiff commenced this action in the Charleston County Court of Common Pleas on March 8, 2018, asserting a claim against the Facility for its negligence/gross negligence in the care/treatment of Mr. Ladson. (*See generally* Summons & Compl.) The Facility Answered Plaintiff's complaint on June 22, 2018. (*See generally* Answer.)

On August 21, 2018, the Facility moved to compel arbitration, based on an Arbitration Agreement that Julia Wright had signed when Mr. Ladson was admitted to the Facility.³ The parties submitted their respective briefs for⁴ and against⁵ the motion, and following a hearing on November 27, 2018,⁶ the circuit court, the Honorable Jennifer B. McCoy presiding, denied the Facility's motion to compel arbitration by order filed February 6, 2019. (*See generally* Order [Denying Mot. to Compel Arbitration], filed February 6, 2019.) On February 8, 2019, the Facility timely moved the circuit court to alter, amend, and/or reconsider its decision. (Def.'s Mot. to Alter, Amend, and/or Reconsider.) The court denied that motion by order filed July 26, 2019. (Order [Denying Mot. to Alter, Amend, and/or Reconsider], filed July 26, 2019.)

By notice served August 20, 2019, this appeal timely follows. (*See generally* Notice of Appeal/Proof of Service, served August 20, 2019, filed (in the circuit court) August 22, 2019.)

¹ The "Facility" is Defendant-Appellant, THI of South Carolina at Charleston, LLC d/b/a Riverside Health and Rehab. It is a nursing facility in Charleston County.

² "Plaintiff" is Plaintiff-Respondent, Richard Ladson, Jr., by and through Richard Miles Ladson, Sr., POA.

³ (*See generally* Def.'s Mot. to Compel Arbitration.)

⁴ (*See generally* Def.s Mem. in Supp. of Mot. to Compel Arbitration.)

⁵ (*See generally* Pl.'s Mem. in Opp'n to Mot. to Compel Arbitration.)

⁶ (*See generally* Tr. of Mot. Hr'g. held November 27, 2018.)

STATEMENT OF THE FACTS

On September 20, 2010, Julia Wright (“Ms. Wright”), Respondent’s sister, accompanied Respondent to Appellant’s Facility to admit Respondent for rehabilitation care. (*See generally* Def.’s Mem. In Supp. Of Mot. to Compal Arbitration Exs. 1-3.) At the time of his admission, all parties agree Mr. Ladson suffered from dementia. Id.

In conjunction with Mr. Ladson’s admission to Facility, Ms. Wright signed a number of documents, including an Admission Agreement⁷ and an Arbitration Agreement. (*See generally Id.* at Ex. 2.)⁸ The Admission Agreement was a twelve-page document, and the Arbitration Agreement was a separate one-page document. The Admission Agreement governed the type of care Mr. Ladson would receive from Appellant and Mr. Ladson’s financial obligation to pay for those services. On the Admission Agreement’s final page, labeled as “Page 12 of 12,” there was an “Entire Agreement” provision indicating these 12 pages constituted “the entire agreement and understanding between the parties” concerning Mr. Ladson’s admission to Appellant’s Facility. Ms. Wright signed the Admission Agreement on the “Signature of Representative” line. Appellant did not ask Ms. Wright for proof of authority to act on Mr. Ladson’s behalf, and Mr. Ladson never gave Ms. Wright power-of-attorney to complete these documents.

On the same day, Ms. Wright signed a document called an Arbitration Agreement. This document was not part of the 12 pages comprising the Admission Agreement but was its own separate document with its own signature blocks. The Arbitration Agreement provides for alternative dispute resolution for any claim a party may bring against another arising out of Mr.

⁷ (*See generally Id.* at Ex. 1.) Plaintiff does not challenge the validity of the Admission Agreement.

⁸ Both the Admission Agreement and the Arbitration Agreement were countersigned by a Leslie Solomon, the Facility’s Director of Admissions. (*Compare Id.* at Ex. 1 p. 12 *with Id.* at Ex. 2.)

Ladson's admission in Appellant's Facility. Ms. Wright signed the Arbitration Agreement on the line labeled "Resident/Representative Signature."

Thereafter, while under Appellant's care, Mr. Ladson developed multiple preventable pressure ulcers due to Appellant's failure to properly treat him, and Mr. Ladson was unable to heal said pressure ulcers for the same reasons. Mr. Ladson's pressure ulcers worsened, became infected and then septic. (*See generally* Complaint.) Mr. Ladson's condition grew increasingly severe over the following months until no other medical alternative existed other than an above the knee amputation of his right leg at Roper Hospital on October 13, 2016.

As a result, Respondent filed negligence claims alleging Respondent's injuries were caused by Appellant's improper nursing home care. After a period of discovery, Appellant moved to dismiss the Complaint and compel arbitration. The Circuit Court denied the motion and concluded the Act did not apply to the Arbitration Agreement, a contract unrelated to nursing home care or payment for nursing home services. The Circuit Court found no agency relationship existed between Mr. Ladson and Ms. Wright and Mr. Ladson was not a third-party beneficiary because there was no valid underlying contract. Finally, the Circuit Court held that Appellant failed to meet its burden to establish all equitable estoppel elements. The Circuit Court denied Appellant's Motion to Reconsider on the same grounds. This Appeal follows.

STANDARD OF REVIEW

A circuit court's order denying arbitration is immediately appealable. Cape Romain Contractors, Inc. v. Wando E., LLC, 405 S.C. 115, 121, 747 S.E.2d 461, 464 (2013). A circuit court's determination of whether a claim is subject to arbitration is reviewed de novo on appeal. Gissel v. Hart, 382 S.C. 235, 240, 676 S.E.2d 320, 323 (2009). This includes de novo review of the determination of whether an arbitration agreement is enforceable against a nonsignatory. Wilson v. Willis, 426 S.C. 326, 334, 827 S.E.2d 167, 172 (2019). "Under

de novo review, a circuit court's factual findings will not be reversed on appeal if any evidence reasonably supports those findings." Id. While both federal and South Carolina policy favors arbitration of disputes, "a party cannot be required to submit to arbitration any dispute which he has not agreed so to submit." Int'l Paper Co. v. Scwabedissen Maschinen & Anlagen GMBH, 206 F.3d 411, 416 (4th Cir. 2000). Ultimately, arbitration "is a matter of consent, not coercion." Volt Information Scis., Inc. v. Bd. of Trs. of Leland Stanford Junior Univ., 489 U.S. 468, 479 (1989).

ARGUMENT

The Facility's motion to compel arbitration sought to deny Mr. Ladson the constitutionally-guaranteed right to a jury trial based on an invalid arbitration contract. Arbitration may be favored by federal law but only when the parties voluntarily agree to it. Here, the Facility has produced nothing to show Mr. Ladson's sister, Julia Wright, had the authority to bind her brother to the Arbitration Agreement. South Carolina appellate courts have repeatedly rejected nearly all of the legal and equitable theories the Facility now proposes to create a binding contract where there is not one. In sum, the Facility failed to meet its burden to show a valid arbitration contract, and the circuit court properly denied the Facility's motion to compel arbitration of Plaintiff's claim consistent with South Carolina law.

I. The Adult Health Care Consent Act does not apply to the Arbitration Agreement.

South Carolina's Adult Health Care Consent Act empowers designated family members of some vulnerable adults to sign a contract admitting the vulnerable adult to a skilled nursing facility and agreeing to pay the fees imposed by that facility for its services. S.C. Code Ann. § 44-66-60(A) (2016); Coleman v. Mariner Health Care, Inc., 407 S.C. 346, 352, 755 S.E.2d 450,453 (2014). But, since the Act is limited to "health care" decisions, it provides no authority for separate contracts like the Arbitration Agreement. Id. at 354, 755 S.E.2d at 454; Thompson v. Pruitt Corp.,

416 S.C. 43, 51, 784 S.E.2d 679, 684 (Ct. App. 2016) (citing Coleman and agreeing an “Arbitration Agreement does not deal with healthcare decisions”). Additionally, a family member signing a nursing home admission contract pursuant to authority derived from the Act does not estop a later argument that the same family member lacked authority to sign a separate arbitration contract. Coleman, 407 S.C. at 354-56, 755 S.E.2d at 455; Thompson, 416 S.C. at 60, 784 S.E.2d at 688. The Act was never meant to affect anything other than “health care” decisions and, as the Facility admitted to the circuit court, signing the Arbitration Agreement was not a health care decision because Mr. Ladson could get all the health care services covered in the Admission Agreement without agreeing to arbitrate. (Tr. Of Record Nov. 27, 2018 at 11:19-22).

The Adult Health Care Consent Act (“the Act”) does not apply to a free-standing nursing home arbitration contract, and the circuit court properly concluded that Respondent is not bound to the Arbitration Agreement under the Act’s provisions. The Act establishes the order of priority for those individuals authorized to make health care decisions. The first level of decision-making priority, pursuant to the Act, is granted to a legally-appointed guardian and an attorney-in-fact empowered pursuant to a duly executed durable power of attorney. S.C. Code Ann. § 44-66-30(A) (2016). An incapacitated individual’s other adult relative by blood, such as Respondent and Sister, are eighth in priority. Id.

The Act expressly limits the decision-making power of any individual to only “health care” decisions. Id. “Health care” is defined in the Act and the South Carolina Supreme Court recently construed the definition to limit an individual’s decision-making authority to: (1) “provision or withholding of medical care including placement in a facility which provides such care;” and (2) “certain financial decisions... to pay for services rendered.” Coleman, 407 S.C. at 352, 755 S.E.2d at 453. An individual’s power under the Act applies “primarily to traditional health care decisions”

and only “secondarily” to financial matters related to those decisions. Id. at 353, 755 S.E.2d at 454.

The Act grants only limited decision-making power related to nursing home admission. An individual authorized by the Act may enter an agreement to admit a resident to nursing home and may enter a contract agreeing to pay for nursing home services. Coleman, 407 S.C. at 353-54, 755 S.E.2d at 454. A potential resident or her family are typically presented with multiple contracts and other documents when the family contemplates admitting their loved one to a nursing home. Coleman demonstrates that the Act does not apply to all documents associated with nursing home admission. Specifically, the Act does not apply if a document “was not required for [the resident's] admission, contained no provision for medical, nursing, or health care services to be provided for [the resident], and did not require any financial commitment to pay for such services. Id. at 353, 755 S.E.2d at 454.

The Facility cannot show the Admission Agreement and Arbitration Agreement were executed *for the same purpose*. The Admission Agreement was formed because its “parties wish to admit [Mr. Ladson] to” the Facility (Admission Agreement at 1). That purpose is borne out in the Admission Agreement's twelve pages. The Facility agreed to “[furnish room, routine meals, nursing care, personal care, or custodial care” (Admission Agreement at 2, § (A)(3)) to Mr. Ladson who, in turn, agreed to “[p]ay all fees and charges” for those skilled nursing services. Id. at 3, § (B)(4). The Admission Agreement's provisions referred to Medicaid eligibility, bed hold policies, late fees for unpaid service charges, etc. The Arbitration Agreement covers a completely different issue. It is solely devoted to directing an alternative dispute resolution method and purporting to eliminate its parties' right to seek relief through the courts. (Arbitration Agreement at 1). These two contracts cannot have the same purpose because, as Appellant’s counsel admits, the

Arbitration Agreement “was not a precondition for admission [and] not mandatory.” (Tr. Of Record Nov. 27, 2018 at 11:19-22).

Like the arbitration agreement in Coleman, the Arbitration Agreement offered to Julia Wright by the Facility in the present case was presented to her and not to Mr. Ladson. Furthermore, the terms of Ladson’s Admission Agreement signed by Ms. Wright do not reference, incorporate, or merge the Arbitration Agreement into it in any way. There is no requirement in the Admission Agreement that the execution of the Arbitration Agreement was a condition to Ladson’s admission to the Facility.

Based on the Coleman standard, the Act does not apply to the Arbitration Agreement, because the Arbitration Agreement does not contain any provision for medical, nursing, or health care services. The only bolded and underlined language in the Arbitration Agreement indicates that its provisions are intended only for dispute resolution. The Arbitration Agreement does not contain any provisions relating to payment for medical, nursing, or health care services. Only the scope of arbitrable disputes and procedures for an arbitration hearing are included in the Arbitration Agreement. Because Facility can rely on no authority (statutory, legal, or otherwise) binding Mr. Ladson to its Arbitration Agreement, it now asserts under the doctrines of merger and equity Mr. Ladson should be bound to it because it was merged with the Admission Agreement. For the reasons outlined under South Carolina below, Facility’s argument must fail.

II. The Independently-Invalid Arbitration Agreement does not Merge with the Admission Agreement.

The Coleman Court acknowledged South Carolina law indicating that contracts signed at the same time by the same parties and *for the same purpose* will be construed together “in the absence of anything indicating a contrary intention.” 407 S.C. at 355, 755 S.E.2d at 455 (quoting Klutts Resort Realty, Inc. v. Down‘round Dev. Corp., 268 S.C. 80, 88, 232 S.E.2d 20, 24 (1977))

but refused to apply the merger doctrine to a nursing home arbitration agreement because the admission agreement contained language “indicating a contrary intention.” The Court found that the language in the contracts “recognize[d] the ‘separateness’ of the admission and arbitration agreements.” 407 S.C. at 355, 755 S.E.2d at 455. Like in Coleman, here, the Facility fails to demonstrate how or why the Arbitration Agreement and Admission Agreement were offered *for the same purpose* to permit the two documents to be merged under South Carolina law. This is because the two documents were offered for two completely different purposes- for the provision of health care and for dispute resolution. The Arbitration Agreement was intended to be a separate contract from the Admission Agreement and, just as in Coleman, the merger rule from Klutts is overcome by the contracts’ plain meaning and contrary intent. Klutts Resort Realty, Inc., 268 S.C. at 88, 232 S.E.2d at 24.

Appellant’s merger argument suffers from other flaws. Klutts indicates that merger only applies to instruments executed “at the same time, by the same parties, *for the same purpose*, and in the course of the same transaction.” Even if Appellant’s positions were taken as true and two valid contracts existed, the Agreements would not merge under the Klutts test, because the two Agreements were not executed for the same purpose. The Admission Agreement purports to cover activities incident to nursing home services. In contrast, the Arbitration Agreement’s stated purpose is to establish the procedures to submit for resolution by arbitration any disputes that may arise.

Coleman, Thompson, and Hodge are controlling. An arbitration contract does not merge with an admission contract in which a nursing home and its resident chose to insert an “entire agreement” or integration provision (aka “merger clause”) limiting its parameters and excluding other writings. Coleman, 407 S.C. at 355, 755 S.E.2d at 455. Coleman held one such provision proved “on its face” that merger does not apply. Id. Also, admission and arbitration contracts

cannot merge if they contain inconsistent terms, especially provisions related to how each contract may be terminated. Id.; Thompson, 416 S.C. at 53, 784 S.E.2d at 685. Moreover, courts look at the way the contracts are structured, finding it is unlikely parties intended two contracts to be treated as one if they chose separate titles, required separate signatures, and numbered each contract's pages differently. Thompson, 416 S.C. at 53 n. 1, 784 S.E.2d at 685; Hodge, 422 S.C. at 562, 813 S.E.2d at 302. Finally, Hodge held a nursing home cannot argue for merger when it chose to separate arbitration and admission into two agreements while taking the position that agreeing to the former was not required to obtain the benefits of the latter. 422 S.C. at 562-63, 813 S.E.2d at 302. All four of these examples apply to the Admission Agreement and Arbitration Agreement used by the Facility in this case.

i. The Admission Agreement's "Entire Agreement" Provision

The Admission Agreement concludes with an "Entire Agreement" provision identifying the limited scope of that contract. (Admission Agreement at 12, § XVIII). Specifically, this provision states "this Agreement represents the entire understanding between the parties." "Agreement" is capitalized because it is a defined term, which the Admission Agreement's opening line limits to "THIS ADMISSION AGREEMENT." (Admission Agreement at pg. 1) (emphasis in original). The Facility argues the Admission Agreement's "Entire Agreement" provision is different than its counterparts in Coleman, Thompson, and Hodge because it does not specifically reference the Arbitration Agreement. However, the Admission Agreement's "Entire Agreement" provision is just as probative against merger as those in earlier cases. It specifically limits the contract's interpretation to the "Agreement" and then defines that term narrowly in a way that does not include the Arbitration Agreement or any other writing. To argue the "Entire Agreement" provision must specifically reference a separate writing to exclude that writing from

the common law merger rule is to overlook the fundamental purpose an integration provision serves in a contract. See Palmetto State Sav. Bank of S.C. v. Barr, 293 S.C. 252, 253-54, 359 S.E.2d 531, 532 (Ct. App. 1987) (finding purpose of integration provision is to create “strong implication the whole intentions of the parties has been expressed” in the writing containing the clause); Wilson v. Landstrom, 281 S.C. 260, 266, 315 S.E.2d 130, 134 (Ct. App. 1984) (citing Armour Fertilizer Works v. Hyman, 120 S.C. 375, 113 S.E.2d 330 (1922) (the terms of a completely integrated contract “cannot be varied or contradicted by parol evidence of prior or contemporaneous agreements not included in the writing”)).

Plus, there is contract language here that tracks Coleman and progeny almost word for word. In Coleman, the court focused on the fact that the admission contract’s “Entire Agreement” provision referenced “[t]his Agreement... and the Arbitration Agreement.” Referencing the two writings distinctly was “the admission agreement’s recognition of the arbitration agreement as a separate document.” Thompson, 416 S.C. at 52, 784 S.E.2d at 684 (citing Coleman, 407 S.C. at 355, 755 S.E.2d at 455). Hodge applied the same principle using language from an arbitration contract that referenced an admission contract in distinct terms. 422 S.C. at 562, 813 S.E.2d at 302. If an arbitration contract explains its scope extends to disputes arising from “this Agreement or the ... Admission Agreement,” then the parties “recognized a separateness” between the two contracts. Id. The Arbitration Agreement in this case does exactly what Coleman, Thompson, and Hodge identify as proof that defeats the Facility’s merger argument. In describing its term, the Arbitration Agreement states that its effect will continue even after the termination of “this Agreement or the Admission Agreement.” (Arbitration Agreement at 1).

Finally, the Facility hints that the “Entire Agreement” provision supports an Admission Agreement-Arbitration Agreement merger because it incorporates “other Admissions Materials.”

(Admission Agreement at 12 § XVIII). To the extent the Facility implies the Arbitration Agreement was incorporated by reference into the Admission Agreement, the Facility has offered nothing in either contract to support this conclusion. “Admissions Materials” is not a defined term and there is nothing to suggest the Arbitration Agreement was intended to be included within it. Plus, since the Facility admits agreeing to arbitration was not required for admission, it would be counterintuitive to conclude the Arbitration Agreement was an “admissions material.” Thompson rejected a similar argument when a nursing home argued its admission contract’s “entire agreement” provision incorporated a separate arbitration contract by referring broadly to “exhibits.” Since “exhibit” was undefined and not referenced elsewhere in either contract, the term was ambiguous and was interpreted against the nursing home who drafted it. 416 S.C. at 53-54, 784 S.E.2d at 685 (citing Coleman, 407 S.C. at 355-56, 755 S.E.2d at 455).

ii. Inconsistent Termination Provisions

Two contracts executed at the same time do not merge if they contain inconsistent terms. The parties likely did not intend for the two be read as one if they chose to, for example, apply different substantive law to the two agreements. Hodge, 422 S.C. at 562, 813 S.E.2d at 302. Coleman, Thompson, and Hodge made special note of inconsistent provisions in admission and arbitration contracts regarding when each contract may be cancelled at the resident's urging. Coleman, 407 S.C. at 355, 755 S.E.2d at 455; Thompson, 416 S.C. at 53, 784 S.E.2d at 685; Hodge, 422 S.C. at 551, 813 S.E.2d at 296. In each instance, the arbitration contract allowed the resident to disclaim or revoke its provisions within thirty days, but the admission contract did not include a similar right. Id. Here, the Arbitration Agreement does not have a disclaimer provision, and the Facility positions this fact as its primary argument for distinguishing Coleman, Thompson, and Hodge. (Appellant’s Br. at 9).

However, the contracts' termination provisions are just as inconsistent here as in those cases. The Arbitration Agreement states that its effect on disputes between the parties would survive even if both the Admission Agreement and Arbitration Agreement are cancelled. (Arbitration Agreement at pg. 1). As structured by the Facility, there does not seem to be any means by which a resident could unilaterally cancel the Arbitration Agreement. The Admission Agreement is very different in that it allows a resident to unilaterally terminate that contract "at any time." (Admission Agreement at 6, § IV, ¶ 1). Thus, while the Facility is correct the Arbitration Agreement is technically different than Coleman and progeny because it lacks a disclaimer provision, that distinction makes no difference because the Arbitration Agreement and Admission Agreement still have inconsistent termination provisions that rebut any argument the parties intended these two separate contracts merge into one.

iii. Contract Formatting and Structure

Thompson and Hodge prove it is not just specific contract language that shows a nursing home and its resident did not intend for admission and arbitration contracts to merge. Intent can be derived from the way a contract is formatted or structured. Rather than adding an arbitration provision to the admission contract or attaching that language as an exhibit, the nursing home in Thompson chose to place it in an entirely separate document with its own, distinct "Arbitration Agreement" label. 416 S.C. at 53 n. 1, 784 S.E.2d at 685 n. 1. That choice was in itself further proof of "the parties' intent for [the arbitration contract] to stand by itself as an independent contract." Id. The Facility did the same here, and the Arbitration Agreement announces itself as a distinctive contract from its very title. Hodge also noted the importance of formatting choices a nursing home makes when constructing its admission and arbitration contracts. 422 S.C. at 562, 813 S.E.2d at 302. An arbitration contract looks more and more like its own independent document

if entering it requires a separate signature than the admission contract and the documents have separate pagination. Id. Here, the Arbitration Agreement required separate signatures. Plus, the Admission Agreement ran from “Page 1 of 12” to “Page 12 of 12,” while the Arbitration Agreement was all on its own.

Based on the foregoing, the law of merger as adopted and applied in South Carolina fails to operate to bind Mr. Ladson to the Arbitration Agreement through the Admission Agreement.

III. Mr. Ladson is not Equitably Estopped from Denying Ms. Wright had Authority to Bind him to Arbitration.

Appellant incorrectly allege Respondent is equitably estopped from opposing enforcement of the Arbitration Agreement. Equitable estoppel is a contract defense for which the asserting party “bears the burden of establishing all the elements.” Kelly v. Logan, Jolley & Smith, 383 S.C. 626, 638, 682 S.E.2d 1, 7 (Ct. App. 2009). Equitable estoppel requires proof that the party to be estopped (1) acted in a way amounting to a false representation; (2) intended that such conducted be acted on by the other party; and (3) had actual or constructive knowledge of the real facts. Strickland v. Strickland, 375 S.C. 76, 84, 650 S.E.2d 465, 470 (2007). The party asserting estoppel must (1) lack knowledge and the means of knowledge of the truth of the facts in question; (2) rely on the conduct of the party estopped; and (3) make a prejudicial change in position in reliance on conduct of the party to be estopped. Id.

The circuit court correctly found Appellant did not meet their burden to establish these elements. Appellant does not attempt to apply or even cite these elements in their brief. Appellant cannot prove they relied on Mr. Ladson’s conduct as affirmation that Ms. Wright had authority to enter the Arbitration Agreement on Mr. Ladson’s behalf.

Appellant cannot meet its burden on other elements listed in Strickland. There is no evidence Ms. Wright acted in a way amounting to a false representation to Appellant regarding

Mr. Ladson's status or that Ms. Wright intended for Appellant to act in reliance on her conduct. Mr. Ladson's diminished mental capacity from dementia prevented Mr. Ladson from forming the required intent for Appellant to rely on his conduct. Additionally, the evidence shows Appellant cannot meet its burden to show they lacked knowledge or the means of knowledge of the truth of the facts in question. This element requires Appellant to show they did not know Ms. Wright lacked authority to sign the arbitration agreement on Mr. Ladson's behalf and Appellant lacked the ability to make this determination. Equitable doctrines such as estoppel favor diligent parties who actively endeavor to protect their rights. A person cannot claim to have been misled and cannot rely on equitable estoppel if the party, by the exercise of reasonable diligence, could have acquired knowledge to determine the truth of facts in question. See Binkley v. Rabon Creek Watershed Conservation Dist. of Fountain Inn, 348 S.C. 58, 70-71, 558 S.E.2d 902, 908-09 (Ct. App. 2001).

In this case, Appellant had the capacity to determine whether Ms. Wright had authority to sign an arbitration agreement on Mr. Ladson's behalf. Appellant is a sophisticated business entity frequently interacting with residents and their families during the nursing home admission process. Appellant is familiar with the legal concepts of guardianship and powers-of-attorney. Appellant had the ability to ask Ms. Wright whether she was Mr. Ladson's guardian or attorney-in-fact and had the ability to request supporting documentation.

Another major flaw in Appellant's equitable estoppel argument is that it is premised on Appellant's faulty merger argument. In Coleman, the South Carolina Supreme Court rejected a nursing home's equitable estoppel argument because it was based on the home's faulty assertion that an admission agreement merged with a separate and independent arbitration agreement. 407 S.C. at 354-55, 755 S.E.2d at 455. Appellant makes similar arguments in their brief. Appellant argues Respondent is not free to selectively enforce portions of the Admission Agreement.

However, Respondent has not chosen to “enforce” any portion of the Admission Agreement. His Complaint alleges negligence claims premised on common law duties owed by a nursing home to its resident. For the same reason, Appellant errs when they claim Respondent seeks to “repudiate” any agreement. Respondent’s Complaint does not reference and is not based on any contract.

Even if Respondent had based a claim on an alleged breach of the Admission Agreement, such conduct would not equitably estop him from opposing enforcement of the separate and independent Arbitration Agreement. Presumably, Appellant is arguing that the Admission Agreement and Arbitration Agreement merge, and Respondent is bound by the later by seeking to enforce the former. Yet, Respondent does not seek to enforce either agreement, and Appellant cannot meet their burden of proving merger because the agreements indicate that they are not to merge.


The separateness of the two contracts in this case is an important fact further distinguishing the “direct benefit” cases on which Appellant relies. (Appellant’s Br. at 16). International Paper notes that equitable estoppel can apply to bar refusal of arbitration when the refusing party “receives a direct benefit from a contract containing an arbitration clause.” 206 F.3d at 418 (quoting Am. Bureau of Shipping v. Tencara Shipyard S.P.A., 170 F.3d 349, 353 (2d Cir. 1999)). The Fourth Circuit opinion does not fully list the equitable estoppel elements for South Carolina law provided in Strickland. Additionally, International Paper considered a single contract in which a party was suing to enforce some terms while seeking to avoid the same contract’s arbitration provision. The same is true for Jackson v. Iris.com., 524 F. Supp. 2d 742, 749-50 (E.D. Va. 2007), which Appellant cites in further support of their estoppel argument. In Jackson, a musician was estopped from refusing a contract’s mandatory arbitration provision when he sought to enforce the same contract’s liquidated damages provision. Id. at 750-51. That is not the case here. In sum,

Appellant's equitable estoppel argument is only potentially viable if this Court finds the Admission Agreement and Arbitration Agreements merge. However, as in Coleman, the evidence shows the contracts are separate, and Appellant cannot meet its burden to prove merger to advance their equitable estoppel argument.

CONCLUSION

Based on the arguments stated above, Mr. Ladson respectfully requests the Court affirm the Circuit Court's order denying the Facility's motion to compel arbitration. The Facility cannot force Mr. Ladson to arbitrate its nursing home negligence claims without showing a valid arbitration contract. The Arbitration Agreement is not valid because Mr. Ladson could not and did not assent to its terms. Ms. Wright possessed no legal authority to do bind him to it. Merger fails to operate to bind him to the Arbitration Agreement under South Carolina law, and therefore Appellant's estoppel argument must necessarily fail.

Respectfully submitted,



PIERCE | SLOAN, LLC

Carl E. Pierce, II (SC Bar No. 7946)

Benjamin C. Smoot, II (SC Bar No. 101372)

Carl E. Pierce, III (S.C. Bar No. 104229)

P.O. Box 22437

Charleston, South Carolina 29413

Phone: (843)722-7733; Fax: (843)722-7732

*Attorneys for Respondent Richard Ladson, Jr., by
and through Richard Miles Ladson, Sr., POA*

February 4, 2020
Charleston, South Carolina

CARL E. PIERCE, II
ALLAN P. SLOAN, III *◆
JAMES G. KENNEDY
WILLIAM P. EARLY ●
SONALY K. HENDRICKS
BENJAMIN C. SMOOT, II ■
J. MORGAN FORRESTER

PIERCE | SLOAN

KENNEDY & EARLY LLC

ATTORNEYS AND COUNSELORS AT LAW

THE BLAKE-GRIMKÉ HOUSE | 321 EAST BAY STREET
CHARLESTON, SOUTH CAROLINA 29401

POST OFFICE BOX 22437
CHARLESTON, SOUTH CAROLINA 29413

(843) 722-7733
(843) 722-7732 FAX
www.piercesloan.com

M. TODD RAINSFORD ✧
CARSON R. PARKER
KATIE L. MILLER
DANIEL F. LYNCH, IV
R. RICHARD GERGEL
CARL E. PIERCE, III

* MEMBER SC & FL BAR
◆ CERTIFIED SC CIRCUIT
COURT MEDIATOR
✧ SPECIAL COUNSEL
● MEMBER SC & TN BAR
■ MEMBER SC & VA BAR

Direct Dial: (843) 725-7726
Email: kellyforrester@piercesloan.com

February 7, 2020

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SC Court of Appeals

VIA U.S. MAIL

The Honorable Jenny Abbott Kitchings
Clerk, S.C. Court of Appeals
1220 Senate Street
Columbia, South Carolina 29201

Re: *Richard Ladson, Jr., by and through Richard Miles Ladson, Sr., POA v. THI of South Carolina at Charleston, LLC. d/b/a Riverside Health and Rehab*
Circuit Court C/A No. 2016-CP-10-4062
Appellate Case No.: 2019-001413
PSWKE File No.: P2812.00

Dear Ms. Kitchings:

Enclosed for filing please find the original and seven (7) copies of the Initial Brief of Respondent. Please file the original with the Court and provide our office with a filed copy in the enclosed self-addressed envelope. Should you have any questions or concerns, please do not hesitate to contact our office.

Please feel free to contact me with any questions or concerns you may have.

With kind regards,

Sincerely,



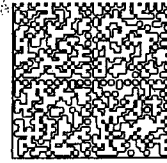
Kelly D. Forrester
Paralegal to Benjamin C. Smoot, II

Enclosures

cc: Stephen L. Brown, Esq.
D. Jay Davis, Jr., Esq.
Russell G. Hines, Esq.

PIERCE SLOAN KENNEDY & EARLY LLC
POST OFFICE BOX 22437
CHARLESTON, SOUTH CAROLINA 29401

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